

PART I

Item 1. Business

Items 1 and 3 of this 10-K contain forward-looking statements concerning our development efforts, strategy, new product introductions, backlog and litigation. These statements involve numerous risks and uncertainties including those discussed throughout this document as well as under "Factors Affecting Future Operating Results" in Item 7.

General

Xilinx, Inc. (Xilinx or the Company) designs, develops and markets complete programmable logic solutions, including advanced integrated circuits (ICs), software design tools, predefined system functions delivered as cores of logic and field engineering support. Our programmable logic devices (PLDs) include field programmable gate arrays (FPGAs) and complex programmable logic devices (CPLDs). These devices are standard products that our customers program to perform desired logic functions. Our products are designed to provide high integration and quick time-to-market for electronic equipment manufacturers primarily in the telecommunications, networking, computing, industrial and consumer markets. Our products are sold globally through a network of independent sales representatives, distributors, and to original equipment manufacturers (OEMs).

Competitive pressures compel manufacturers of electronic systems to accelerate their products' introduction to market. Customer requirements for improved functionality, performance, reliability and lower cost are addressed through the use of components that integrate ever larger numbers of logic gates onto a single integrated circuit. Such integration often results in greater speed, smaller die size, lower power consumption and reduced costs. The rapid proliferation of the Internet and wireless communication networks continues to fuel the demand for more complex integrated circuits. At the same time, tremendous pressure is placed on electronic equipment manufacturers' product life cycles. Due to their inherent complexity and reprogrammability, our PLDs enable electronic equipment manufacturers to effectively respond to these evolving market trends.

We were organized in California in February 1984 and in November 1985 were reorganized to incorporate our research and development limited partnership. In April 1990, we reincorporated in Delaware. Our corporate facilities and executive offices are located at 2100 Logic Drive, San Jose, California 95124 and our website is www.xilinx.com.

Our fiscal year ends on the Saturday nearest March 31. For ease of presentation, March 31 has been utilized as the fiscal year-end for all financial statement captions. Fiscal 2000 ended on April 1, 2000 while fiscal 1999 and 1998 ended on April 3, 1999 and March 28, 1998, respectively.

Products

Integral to the future success of our business is the timely introduction of new products which address customer requirements and compete effectively on the basis of price, functionality, and performance. Delays in developing new products with anticipated technological advances or delays in commencing volume shipments of new products could have an adverse effect on our financial condition and results of operations. In addition, there can be no assurance that such products, if introduced, will gain market acceptance or respond effectively to new technological changes or product introductions by other companies.

Programmable Logic Devices

We currently classify our product offerings into four categories by manufacturing process technology. Base products consist of our mature product families that are currently manufactured on technologies of 0.6-micron process and older. Base products include the XC3000, XC3100, and XC4000 families. Mainstream products are currently manufactured on 0.35 and 0.5-micron technologies and include the XC4000E, XC4000EX, XC4000XL, XC5200, XC9500, XC9500XL, Spartan™ and CoolRunner® product lines. Advanced products include our newest technologies manufactured on 0.25-micron and smaller processes, which include the XC4000XV, XC4000XLA, Spartan XL, Spartan-II, Virtex™, and Virtex-E product lines. Support products comprise the fourth product category, and include serial proms, HardWire devices, and software.

Virtex FPGAs:

The Virtex FPGA series, announced in October 1998, is the industry's first million-gate FPGA. Nine Virtex devices are currently in production. The Virtex devices are found in traditional programmable logic applications such as networking or telecommunications, and in applications like storage area networks, routers, high end servers, switching equipment, cellular base stations and High Definition Television (HDTV) infrastructure. The Virtex devices range from 50,000 to 1,000,000-

system gate densities with 200 MHz chip-to-chip performance and offer system-level integration capabilities. The Virtex family delivers the first fully programmable alternative to high density system-level Application Specific Integrated Circuits (ASIC) design.

The Virtex-E FPGA family includes a two million system gate device and supports twice the system-gate density and 50 percent higher I/O performance than the original Virtex FPGAs. Four family members are currently in production, including the new XCV2000E device which began shipping in the third quarter fiscal year 2000. The Virtex-E family will consist of 11 members, from 50,000 system gates to 3.2 million system gates. The new Virtex-E FPGAs, delivering new performance and density attributes that were only previously addressed by ASIC solutions, are targeted for next generation networking and telecommunication applications.

Virtex-E FPGAs are the first programmable logic devices delivered on 0.18-micron process technology, which was developed by Taiwan's United Microelectronics Corporation (UMC) with our assistance. The improved process directly contributes to a substantial performance gain. The Virtex-E family also represents the industry's first programmable logic architecture with 210 million transistors on a single device.

XC4000 FPGAs:

The XC4000XL family has 11 members shipping in volume ranging in density from 2,000 to 180,000 system gates. The XC4000XLA family expands on the XC4000XL architecture with reduced power consumption and improved performance making it the industry's highest performance 3.3-volt FPGA family. The XC4000XLA family has eight members shipping in volume and ranges in density from 30,000 to 180,000 system gates. The XC4000XV is a 2.5-volt FPGA family that utilizes 0.25-micron technology. The family has four members with up to 500,000 system gates.

Spartan FPGAs:

The Xilinx Spartan and Spartan XL FPGA families are derived from the XC4000 architecture. These families feature low-cost ASIC replacement solutions with densities ranging from 5,000 to 40,000 system gates. In January 2000, we announced the Spartan-II family, our newest generation of high-volume FPGAs. Spartan-II devices are designed to be low cost programmable replacements for ASICs and application specific standard products (ASSPs). New features in the Spartan-II family address a larger range of high-volume applications and open up new market opportunities for programmable logic.

CPLDs:

The XC9500XL family offers in-system programmability for both 3.3-volt and 5.0-volt systems. The XC9500XV is the industry's first 2.5-volt CPLD family with significantly reduced power consumption.

In August 1999 we acquired Philips Semiconductors' line of low-power complex programmable logic devices (CPLDs) called the CoolRunner family of devices. We also purchased Philips Semiconductors' XPLA Professional suite of design tools. The CoolRunner line is the first family of CPLD products to combine very low power with high speed, high density, and high I/O counts in a single device. CoolRunner CPLDs also use far less dynamic power during actual operation compared to conventional CPLDs, an important feature for today's mobile computing applications.

Software, Cores and Support

We offer complete software design tool solutions which enable customers to implement their design specifications into our PLDs. These software design tools combine powerful technology with a flexible, easy to use graphical interface to help achieve the best possible designs within each customer's project schedule, regardless of the designer's experience level.

We offer two complementary software design tool solutions. Xilinx Foundation Series software provides designers with a complete, ready-to-use design solution based on industry-standard hardware description languages (HDLs) and is easy to learn and use. For those customers new to designing with PLDs or desiring a low cost approach, we offer this fully integrated software solution. The Alliance Series is tailored for designers who want maximum flexibility to integrate programmable logic design into their existing EDA environment and methodology. With interfaces to over fifty EDA vendors, Alliance Series Software allows users to select tools with which they are most familiar, thereby increasing their productivity and shortening their end products' design cycle.

In addition, we offer CPLD WebPACK™ solutions, which are a collection of free downloadable software modules. Customers can register and download any of the WebPACK™ modules to complete Xilinx XC9500 or CoolRunner Series CPLD designs.

We also offer intellectual property cores of logic for commonly used complex functions such as digital signal processing (DSP), bus interfaces, processors and peripheral interfaces. Using logic cores, available from Xilinx and third party AllianceCORE partners, customers can shorten development time, reduce design risk and obtain superior performance for their designs. Additionally, our CORE Generator system allows customers to implement intellectual property cores into our PLDs. It offers a simple user interface, complete cataloging of available cores, easy selection of parameter-based cores optimized for our FPGAs, and features an interface to third-party system level DSP design tools. The CORE Generator is shipped with our software design tools and is also available via our web site.

Our software design tools operate on desktop computer platforms, including personal computers with Microsoft Windows '95, '98 and NT operating systems, and workstations from IBM, HP and Sun Microsystems.

Research and Development

Our research and development activities are primarily directed towards the design of new integrated circuits, the development of new software design tools and cores of logic, the development of advanced semiconductor manufacturing processes, as well as ongoing cost reductions and performance improvements in existing products. Our primary areas of focus have been: to introduce the industry's first programmable system integration solution (Virtex devices), a low-cost ASIC replacement FPGA solution (Spartan devices), to extend the performance and density range of the industry's most popular FPGA series (XC4000XLA/XV families), to increase segment share in the CPLD market segment (XC9500XL/XV and CoolRunner families), and release new versions of software design tools and cores of logic.

Our research and development challenge is to continue to develop new products that create cost-effective solutions for customers. In fiscal 2000, 1999, and 1998, our research and development expenses were \$123.6 million, \$90.9 million, and \$80.5 million, respectively. We expect we will continue to make substantial investments in research and development. We believe technical leadership is essential to our future success and we are committed to continuing a significant level of research and development effort. However, there can be no assurance that any of our research and development efforts will be successful, timely or cost-effective.

Marketing and Sales

We sell our products through several industrial distributors: direct sales to manufacturers by independent sales representative firms, sales through franchised domestic distributors, and sales through foreign distributors. In order to provide service to existing customers and reach potential customers, we also utilize a direct sales management organization and field applications engineers (FAEs). Our independent representatives generally address larger OEM customers and act as a direct sales force, while distributors serve the balance of our customer base. Our sales and customer support personnel support all channels and consult with customers about their plans, ensuring that the right software and devices are selected at the beginning of a customer's project.

Avnet, Inc., and VEBA distribute our products worldwide, and Nu Horizons Electronics provides additional regional sales coverage. From time to time, we may add or terminate distributors from our selling organization as we deem appropriate given the level of business. We believe distributors provide a cost-effective means of reaching a broad range of customers. Since our PLDs are standard products, they do not present many of the inventory risks to distributors as compared to custom gate arrays, and they simplify the requirements for distributor technical support.

We changed our accounting method during fiscal 1999 for recognizing revenue on all shipments to international distributors. While we previously deferred revenue on shipments to domestic distributors until the product was sold to the end user, we recognized revenue upon shipment to international distributors, net of estimated reserves for returns and allowances. Following the accounting change, revenue recognition on shipments to distributors worldwide is deferred until the products are sold to the end customer. Distributors have certain rights of return and price protection privileges on unsold product until the product is sold.

Backlog and Customers

As of March 31, 2000, our backlog of purchase orders scheduled for delivery within the next three months was \$174.3 million, after adjustments for estimated discounts. Backlog as of March 31, 1999 was \$122.0 million, after adjustments for estimated discounts. Backlog amounts for both years include orders to distributors, which may receive price adjustments upon sale to end customers. Also, orders constituting our current backlog are subject to changes in delivery schedule or to cancellation at the option of the purchaser without significant penalty. Accordingly, although useful for scheduling production, backlog as of any particular date may not be a reliable measure of revenues for any future period.

No end customer accounted for more than 10% of revenues in fiscal years 2000, 1999, or 1998. (See Note 11 of Notes to Consolidated Financial Statements in Item 8 for geographic sales information.)

Wafer Fabrication

We do not directly manufacture processed wafers used for our products. Over the last several years, the majority of our wafer purchases have been manufactured by United Microelectronics Corporation, (UMC), UMC affiliated companies including our former joint venture, USIC, Seiko Epson Corporation (Seiko), and Taiwan Semiconductor Manufacture Company (TSMC). Precise terms with respect to the volume and timing of wafer production and the pricing of wafers produced by the semiconductor foundries are determined by periodic negotiations between Xilinx and these wafer foundry partners.

Our strategy is to focus our resources on creating new integrated circuits and software design tools and on market development rather than on wafer fabrication. We continuously evaluate opportunities to enhance foundry relationships and/or obtain additional capacity from both our main suppliers as well as other suppliers of leading-edge process technologies. As a result, we have entered into agreements with UMC and Seiko as discussed below.

Xilinx, United Microelectronics Corporation (UMC) and other parties entered into a joint venture to construct a wafer fabrication facility in Taiwan, known as United Silicon Inc. (USIC). (See Note 4 of Notes to Consolidated Financial Statements in Item 8.) We made a total cumulative investment of \$107.1 million in USIC. In January 2000, our equity position in USIC was converted into shares of UMC which are publicly traded on the Taiwan Stock Exchange. We retain monthly guaranteed wafer capacity rights in UMC as long as we retain a percentage of our UMC shares. (See Note 4 of Notes to Consolidated Financial Statements in Item 8.)

In fiscal 1997, we signed a wafer purchasing agreement with Seiko. (See Note 2 of Notes to Consolidated Financial Statements in Item 8.) This agreement was amended in fiscal 1998 and provided for an advance to Seiko for \$150.0 million. In conjunction with the agreement, \$60.0 million was paid in fiscal 1997 and an additional \$90.0 million was paid in fiscal 1998. Repayment of this advance is made in the form of wafer deliveries, which began during the fourth quarter of fiscal 1998. Specific wafer pricing is in U.S. dollars and is based upon the prices of similar wafers manufactured by other, specifically identified, leading-edge foundry suppliers.

Sort, Assembly and Test

Wafers purchased by us are sorted by the wafer foundry, independent sort subcontractors or by us. Sorted wafers are assembled by subcontractors in facilities in Pacific Rim countries. During the assembly process, the wafers are separated into individual die, which are then assembled into various package types. Following assembly, the packaged units are tested by independent test subcontractors or by Xilinx personnel at our San Jose or Dublin, Ireland facilities.

Patents and Licenses

Through March 31, 2000, we held over 400 issued United States patents and we maintain an active program of filing for additional patents in the areas of software, IC architecture and design. We intend to vigorously protect our intellectual property. We believe that failure to enforce our patents or to effectively protect our trade secrets could have an adverse effect on our financial condition and results of operations. In the future, we may incur litigation expenses to enforce our intellectual property rights against third parties. There is no assurance that any such litigation would be successful. (See Legal Proceedings in Item 3 and Note 12 of Notes to Consolidated Financial Statements in Item 8.)

We have acquired various software licenses that permit us to grant object code sublicenses to our customers for certain third party software programs licensed with our software design tools. In addition, we have licensed certain software for internal use in product design.

Employees

Xilinx's employee population grew 30% during the past year. As of March 31, 2000, Xilinx had 1,939 employees compared to 1,491 at the end of the prior year. None of our employees are represented by a labor union. We have not experienced any work stoppages and believe we maintain good employee relations.

Competition

Our PLDs compete in the logic industry. The industries in which we compete are intensely competitive and are characterized by rapid technological change, product obsolescence and continuous price erosion. We expect increased competition, both from our primary competitors, Altera Corporation, and Lattice Semiconductor Corporation and from a number of new companies that may enter our market. We believe that important competitive factors in the programmable logic industry include:

- product pricing;
- product performance, reliability and density;
- the adaptability of products to specific applications;
- ease of use and functionality of software design tools;
- functionality of predefined cores of logic; and
- the ability to provide timely customer service and support.

Our strategy for expansion in the logic market includes continued introduction of new product architectures which address high volume, low cost applications as well as high performance, leading-edge density applications. In addition, we anticipate continued price reductions proportionate with our ability to lower the manufacturing cost for established products. However, we cannot assure that we will be successful in achieving these strategies.

Our major sources of competition are comprised of several elements:

- providers of high density programmable logic products characterized by FPGA-type architectures;
- providers of high volume and low cost FPGAs as programmable replacement for ASICs and application specific standard products (ASSPs);
- providers of high speed, low density CPLD devices;
- the manufacturers of custom gate arrays;
- providers of competitive software development tools;
- other providers of new or emerging programmable logic products.

We compete with high density programmable logic suppliers on the basis of device performance, the ability to deliver complete solutions to customers, device power consumption and customer support by taking advantage of the primary characteristics of our PLD product offerings which include: flexibility, high speed implementation, quick time-to-market and system level capabilities. We compete with ASIC manufacturers on the basis of lower design costs, shorter development schedules, reduced inventory risk and field upgradability. The ASIC market segment has been declining, and ASICs are being replaced by other logic options. The primary attributes of ASICs are high density, high speed and low production costs in high volumes. We continue to develop lower cost architectures intended to narrow the gap between current ASIC production costs (in high volumes) and PLD production costs. As PLDs have increased in density and performance and decreased in cost due to the advanced manufacturing processes, they have become more directly competitive with ASICs. With the introduction of our Spartan family, which is Xilinx's low cost programmable replacement for ASICs, we seek to grow by directly competing with other companies in the ASIC segment. Many of the companies in the ASIC segment have substantially greater financial, technical and marketing resources than Xilinx. Consequently, there can be no assurance that we will be successful in competing in the ASIC segment. Competition among PLD suppliers and manufacturers of new or emerging programmable logic products is based primarily on price, performance, design, customer support, software utility and the ability to deliver complete solutions to customers. Some of our current or potential competitors have substantially greater financial, manufacturing, marketing, distribution and technical resources than we do. To the extent that our efforts to compete are not successful, our financial condition and results of operations could be materially adversely affected.

The benefits of programmable logic have attracted a number of companies to this market. We recognize that different applications require different programmable technologies, and we are developing architectures, processes and products to meet these varying customer needs. Recognizing the increasing importance of standard software solutions, we have developed common software design tools that support the full range of integrated circuit products. We believe that automation and ease of design are significant competitive factors in the PLD segment.

Several companies, both large and small, have introduced products that compete with ours or have announced their intention to enter the PLD segment. Some of our competitors may possess innovative technology, which could prove superior to our technology in certain applications. In addition, we anticipate potential competition from suppliers of logic products based on new technologies. Some of our current or potential competitors have substantially greater financial, manufacturing, marketing and technical resources than we do. This additional competition could adversely affect our financial condition and results of operations.

We could also face competition from our licensees. Under a license from us, Lucent Technologies has rights to manufacture and market our XC3000 FPGA products and also employ that technology to provide additional high density FPGA products. Seiko Epson has rights to manufacture some of our products and market them in Japan and Europe, but is not currently doing so. We granted a license to use certain of our patents to Advanced Micro Devices (AMD). AMD produced certain programmable logic devices under that license through its wholly owned subsidiary, Vantis. In June 1999, AMD sold the Vantis subsidiary to Lattice Semiconductor Corporation.

Executive Officers of the Registrant

Certain information regarding each of Xilinx's executive officers is set forth below:

Name	Age	Position	Officer Since
Willem P. Roelandts	55	President and Chief Executive Officer	1996
Kris Chellam	49	Senior Vice President, Finance and Chief Financial Officer	1998
Steven Haynes	49	Vice President, Worldwide Sales	1995
Randy Ong	50	Vice President, Worldwide Operations	2000
Dennis Segers	47	Senior Vice President and General Manager of Advanced Products Group	1995
Richard W. Sevcik	52	Senior Vice President, IP, Services and Software	1997
Sandeep S. Vij	34	Vice President, Marketing and General Manager of General Products Group	1996
Evert A. Wolsheimer	45	Vice President, and General Manager of CPLD Group	2000

There are no family relationships among the executive officers of the Company. On the Board of Directors, Mr. Vonderschmitt, Chairman of the Board, is the brother-in-law of Mr. Sanda, Director.

Willem P. "Wim" Roelandts joined the Company in January 1996 as Chief Executive Officer and a member of the Company's Board of Directors. In April 1996, he was appointed to the additional position as President of the Company. Prior to joining the Company, he served at Hewlett-Packard Company, a computer manufacturer, as Senior Vice President and General Manager of Computer Systems Organizations from August 1992 through January 1996 and as Vice President and General Manager of the Network Systems Group from December 1990 through August 1992.

Kris Chellam joined the Company in July 1998 as Senior Vice President, Finance and Chief Financial Officer. Prior to joining the Company, he served at Atmel Corporation as Senior Vice President and General Manager of a product group from March to July 1998 and as Vice President, Finance and Administration, and Chief Financial Officer from September 1991 through March 1998.

Steven Haynes joined the Company in 1987 as the Regional Sales Manager of the Northeast region, was promoted to Area Sales Director in 1988, and was appointed Vice President, North American Sales in 1995. In November 1998, he was promoted and now holds the position of Vice President, Worldwide Sales.

Randy Ong joined the Company in 1990 as Senior Staff Engineer, and was promoted to Vice President of Worldwide Operations in 1997. He has overall responsibility for manufacturing, quality assurance, testing, reliability and package development for Xilinx programmable logic devices. He also oversees strategic management of the Company's semiconductor foundry partners. He earned his bachelor's and master's degrees in electrical engineering at the University of California, Berkeley.

Dennis Segers joined the Company in January 1994 as Director of Strategic Products and was promoted to Vice President and General Manager in November 1995. In April 1998, he was appointed Senior Vice President, and General Manager of Advanced Products Group.

Richard W. Sevcik joined the Company in April 1997 as Senior Vice President, IP, Services and Software. He was at Hewlett-Packard Company for 10 years where, from 1994 through 1996, he served as Group General Manager of the company's Systems Technology Group and oversaw five divisions involved with product development for servers, workstations, operating systems, microprocessors, networking and security. In 1995 he was named Vice President. From 1992 to 1994, he served as Group General Manager of Computer Systems and Servers and was responsible for four divisions.

Sandeep S. Vij joined the Company in April 1996 as Director, FPGA Marketing and was promoted to Vice President, Marketing in October 1996. In October 1997, he was appointed to the additional position of General Manager of the General Products Group. From 1990 until April 1996, he served at Altera Corporation, a semiconductor manufacturer, where he most recently served as the Product Marketing Manager of High Volume FPGA.

Evert A. Wolsheimer joined the Company in 1991 as Vice President, Product Technology, with responsibility for process technology, wafer foundry, assembly, reliability and product engineering. He was promoted to Vice President and General Manager of the CPLD Group in 1997. He has served on the Board of Directors of the Fabless Semiconductor Association (FSA) since 1997. Dr. Wolsheimer received his Ph.D. in Electrical Engineering from Delft University of Technology, The Netherlands.

Item 2. Properties

Our corporate offices, which include the administrative, sales, customer support, marketing, research and development and final testing groups are located in San Jose, California. The site includes adjacent buildings providing 588,000 square feet of available space which we own.

In addition, we have a 100,000 square foot administrative, research and development and final testing facility in the metropolitan area of Dublin, Ireland, a 60,000 square foot facility in Boulder, Colorado, and a 45,000 square foot facility in Albuquerque, New Mexico. The Irish facility is being used to service our customer base outside of North America. The Boulder facility is the primary location for our software efforts in the areas of research and development, manufacturing and quality control while the New Mexico facility is being used for the development of our CoolRunner® CPLD product. Additionally, we own a 59-acre parcel of land located in Longmont, Colorado, near our current Boulder facility. Groundbreaking to develop a new 130,000 square feet facility in Longmont was started in March 2000. The expansion of our Irish facility includes an additional 500,000 square feet of building and manufacturing space. The first phase of 100,000 square feet will start in July 2000. We purchased 87 acres of land in San Jose, California, near our corporate facility in February 2000. Plans for infrastructure and the future development of this land have not been finalized.

We also maintain North American sales offices in twenty-six locations which include the metropolitan areas of Atlanta, Chicago, Denver, Dallas, Los Angeles, Minneapolis, Philadelphia, Raleigh and San Jose as well as international sales offices located in the metropolitan areas of London, Munich, Paris, Stockholm, Milan, Brussels, Tel Aviv, Tokyo, Taipei, Seoul and Hong Kong.

Item 3. Legal Proceedings

On June 7, 1993, we filed suit against Altera Corporation (Altera) in the United States District Court for the Northern District of California for infringement of certain of our patents. Subsequently, Altera filed suit against Xilinx, alleging that certain of our products infringe certain Altera patents. Fact and expert discovery have been completed in both cases, which have been consolidated. Both Altera and Xilinx filed motions with the Court for summary judgment with respect to certain of the issues pending in the litigation. In October 1999, the Court ruled on all but one of the motions. As a result of those rulings, Altera is left with one claim against Xilinx, which remains the subject of a Company motion for summary judgment. A ruling on this motion is pending. The Court's rulings also dismissed certain claims by us, leaving intact claims of infringement under two Company patents by Altera. The remaining claims against Altera will be decided at a trial scheduled to begin in October, 2000. If the remaining claim against Xilinx survives the motion for summary judgment, it will be decided at a trial, which is currently scheduled to commence on June 19, 2000.

On April 20, 1995, Altera filed an additional suit against Xilinx in the Federal District Court in Delaware, alleging that our XC5200 family infringes an Altera patent. We answered the Delaware suit denying that the XC5200 family infringes the patent in suit, asserting certain affirmative defenses and counterclaiming that the Altera Max 9000 family infringes certain of our patents. The Delaware suit was transferred to the United States District Court for the Northern District of California.

On July 22, 1998, Altera and Joseph Ward, a former Xilinx employee, filed suit against Xilinx in Superior Court in Santa Clara County, California, arising out of our efforts to prevent disclosure of certain Company confidential information. Altera's suit requests declaratory relief and claims Xilinx engages in unfair business practices and interference with contractual relations. On September 10, 1998 we filed cross claims against Altera and Ward for unfair competition and breach of contract, among other claims, in the California action. On October 20, 1998, Altera and Ward filed crossclaims against Xilinx for malicious prosecution of civil action and defamation. On September 15, 1999, the Court dismissed all of our claims against Altera and Mr. Ward, finding that we were unable to show any damages we suffered as a result of any actions by Mr. Ward. Claims against Xilinx are still pending.

The ultimate outcome of these matters cannot be determined at this time. Management believes that it has meritorious defenses to such claims and is defending them vigorously. The foregoing is a forward-looking statement subject to risks and uncertainties, and the future outcome of these matters could differ materially due to the uncertain nature of each legal proceeding and because the lawsuits are still in the pre-trial stages.

On May 31, 2000, Altera filed an additional suit against Xilinx in the Federal District Court for the Northern District of California, alleging that certain Xilinx products, including our Virtex™ FPGAs, infringe three Altera patents. Altera's suit requests unspecified monetary damages as well as issuance of an injunction to prevent Xilinx from selling allegedly infringing parts. Xilinx has not yet had the opportunity to fully review this latest suit and investigate the facts related thereto, and therefore can make no comment as to its likely outcome.

On July 31, 1998, the Lemelson Foundation Partnership (Lemelson) filed a lawsuit in the United States District Court in Phoenix, Arizona against the Company and twenty-five (25) other United States semiconductor companies for infringement of certain of its patents. During the third quarter of fiscal 1999, we entered into a license settlement with Lemelson. In response, Lemelson dismissed with prejudice all claims against us.

There are no other pending legal proceedings of a material nature to which we are a party or of which any of our property is the subject. We know of no legal proceedings contemplated by any governmental authority or agency.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.